

**Subject:** FW: Earnings call messaging

**Date:** Wednesday, January 30, 2019 at 1:49:27 PM Pacific Standard Time

**From:** Dave Arnold

**To:** Melissa Rocha

- Last year was the most challenging year in Tesla's history – and also the most successful. Thanks to the incredible hard work of the Tesla team, Model 3 became the best-selling premium vehicle in the US for 2018. This is the first time an American carmaker has done that in decades. Last year, we delivered almost as many vehicles as we did in all prior years combined, which is also a tremendous achievement.
- With Q4, we've achieved GAAP profitability for the second consecutive quarter for the first time in company history. Not only that, but we increased our cash on hand by more than \$700 million, even after repaying debt, and ended the year with a total of \$3.7 billion in cash.
- We have sufficient cash on hand to comfortably settle our convertible bond that will mature in March. In addition, our operating margin remained strong at 5.7%. Operating margins in the fourth quarter are generally lower in the automotive industry – this was not the case for Tesla.
- 2019 is going to be another exciting year for Tesla. We expect to deliver 360,000 to 400,000 vehicles, which is approximately 45% to 65% more vehicles than last year. That is crazy growth in the automotive industry.
- I also want to note that one of our major priorities for this quarter is to continue improving service operations. Last quarter, we opened 27 new store and service locations, bringing our total to 378 locations worldwide, and we increased our Mobile Service fleet to 411 vehicles. We're moving our service centers to two-shift operations in order to double service capacity quickly, and we're also increasing the functionality of the Tesla App and growing our parts distribution capabilities.
- There are a number of other developments that I'm really excited about: This year we will start tooling for Model Y to achieve volume production by the end of 2020, most likely at Gigafactory 1. Since Model Y will be built on the Model 3 platform and is being designed to have about 75% in common components with Model 3, the cost of the Model Y production line should be materially lower than the Model 3 line in Fremont, and the production ramp should also be faster.
- Earlier this month, we started construction of Gigafactory Shanghai, and by the end of this year, we are expecting to start producing Model 3s using a complete vehicle production line. Inclusive of Gigafactory Shanghai, where we are initially aiming for 3,000 Model 3 vehicles per week, our goal is to be able to produce 10,00 vehicles per week on a sustained basis.
- Finally, barring unexpected challenges with Gigafactory Shanghai, we are targeting total annualized Model 3 output in excess of 500,000 units sometime between Q4 of 2019 and Q2 of 2020.